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EQUITABLE AUTOMOBILE TRANSPORTATION ACT OF 1986

H.R. 3655

JULY 21, 1986.—Ordered to be printed

Mr. JONES of North Carolina, from the Committee on Merchant Marine and Fisheries, submitted the following

REPORT

together with

DISSENTING VIEWS

[To accompany H.R. 3655]

The Committee on Merchant Marine and Fisheries, to whom was referred the bill (H.R. 3655) to counter restrictive practices in the marine transportation of automobiles, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

On page 1, line 5, strike "1985." and insert "1986."

On page 1, strike lines 8–10.

On page 2, line 1, strike "(2)" and substitute "(1)".

On page 2, line 1, strike "motor" both times it appears.

On page 2, line 2, after "hicle" insert "having at least four wheels".

On page 2, line 4, strike "(3)" and substitute "(2)".

On page 2, lines 7, 11, 15, 19, and 24, strike "motor".

On page 2, between lines 9 and 10, insert:

> "(3) 'United States vehicle carrier' means a vessel—
>
> "(A) that is self-propelled and constructed primarily to carry vehicles; and
>
> "(B) for which a certificate of documentation has been issued under chapter 121 of title 46, United States Code.".

On page 2, lines 13 and 21, strike "documented vessels" and substitute "United States vehicle carriers".

On page 3, lines 2, 5, 8, and 20, strike "motor".

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On page 3, lines 10–11, strike "documented vessel," and substitute "United States vehicle carrier,".

On page 3, between lines 14 and 15, insert:

"(d) The Secretary of Transportation may reduce for a temporary period the percentage required to be transported on United States vehicle carriers if—

"(1) the Secretary finds that there are not any governmental restrictions or restrictive trade practices to the entry of United States vehicle carriers into the trade; and

"(2) United States vehicle carriers are unable to transport the required amount.".

On page 3, lines 21 and 22–23, strike "documented vessels" and substitute "United States vehicle carriers".

On page 3, line 21, strike both commas and insert "on" after "States".

PURPOSE

The purpose of H.R. 3655 is to counter discrimination in the Japan-U.S. vehicle transportation trade that has prevented U.S.-flag operators from entering the trade. The legislation requires exporters of Japanese motor vehicles to the United States to transport an equal number of those vehicles on U.S.-flag vessels as are transported on Japanese vessels. The bill allows for an unlimited amount of cross-trading. If no Japanese vehicles are shipped on Japanese or American vessels, 100 percent of the vehicles could be transported on third-flag vessels.

BACKGROUND AND DISCUSSION

In 1985, 2.2 million Japanese cars were imported into the United States from Japan and 2.3 million are expected to be imported in 1986. At the present time, 44 percent of the cars imported from Japan are transported on Japanese-flag vessels. Forty-seven percent are transported on Liberian, Panamanian, and Singaporean registered vessels. Many of these vessels are also owned or controlled by Japanese companies. Of the shipping companies of all nationalities operating pure car carriers with a capacity of over 1,000 vehicles, Japanese companies own or control 86 percent. Thirty-six of these vessels are under the Japanese flag. Approximately 50 other vessels owned or controlled by Japanese companies are under third-flags. One Japanese shipping company alone has 40 car carriers dedicated exclusively to the U.S. import trade.

There is not a single U.S.-flag car carrier operating at the present time in the Japan-U.S. trade. Recently, U.S.-flag operators have been awarded four contracts to carry Japanese vehicles to the United States. These contracts will take effect in 1987, at the earliest, but will provide only four U.S.-flag vessels for the Japan-U.S. automobile trade.

During the hearing on H.R. 3655, concern was expressed that enactment of the bill would disrupt the U.S. automobile import trade because there are no existing pure care carriers in the U.S. fleet. Interested parties were concerned that vehicles would be transport-

ed in inappropriate vessels, such as container ships. An amendment was adopted during Subcommittee consideration to ensure that only appropriate vessels would be used for the vehicles transported. The Committee intends that vehicles be transported on vessels primarily designed for that purpose.

To further ensure that disruption does not occur, H.R. 3655 also grants the Secretary of Transportation waiver authority. The waiver would only be for that percentage of the U.S. share of the trade that cannot be carried because U.S. vehicle carriers are unavailable. The waiver may be for only a temporary period. The Committee intends that the waiver period last only until a U.S. vehicle carrier is available to operate in the trade. In order to grant a waiver the Secretary must also find that governmental or commercial trade practices are not restricting the entry of U.S. vehicle carriers to the trade.

In addition to the commercial advantages associated with the employment of car carriers, the Committee is mindful that properly configured car carriers may be among the most militarily useful of all ships in the commercial fleet. Military planners and Navy spokespersons have often cited the lack of such vessels as a shortcoming in our defense posture. The Committee is cognizant of vessel designs that permit vehicle carriers to have the greatest military utility while retaining the characteristics of a car carrier of the type engaged in the Japan-U.S. trade.

In the past, problems have occurred in other areas of the U.S.-Japan shipping trades. Whether because of Japanese governmental restrictions or commercial practices, U.S. operators have had difficulty in gaining entry to a trade or competing effectively against Japanese vessels. The problems experienced by U.S. carriers in entering the U.S.-Japan tobacco transportation trade and in using high-cube containers for intermodal service in Japan are two examples. The Committee believes that similar practices in the Japan-U.S. vehicle trade have prevented U.S. operators from entering this trade. The bill's purpose could be thwarted should these practices continue. For that reason, the Committee intends that prior to granting any waiver from the requirements of H.R. 3655, the Secretary must ensure that neither the Japanese Government nor Japanese commercial shipping interests are hampering U.S. operators from entering the trade.

Concern was also raised that H.R. 3655 would violate the provisions of the Friendship, Commerce, and Navigation (FCN) Treaty between the United States and Japan. (If enacted into law, of course, H.R. 3655 would supersede any inconsistent prior law, including executive agreements.) The FCN Treaty with Japan is a reciprocal executive agreement. The United States is obligated to provide most-favored-nation treatment to Japan, including Japanese vessels. This requires that the treatment afforded to Japanese vessels be equal to the best treatment afforded by the United States to the vessels of any other country. In return, Japan is obligated to provide most-favored nation treatment to U.S. vessels. It has been empirically observed that Japanese vessels overwhelmingly dominate the Japan-to-United States automobile trade, and the United States carriers are unable to receive contracts of sufficient duration from Japanese exporters to warrant investment in the

types of assets necessary to engage in this trade. It is apparent that in practice, at least, United States operators are systematically excluded from this trade; a trade that is economically and strategically essential to the United States. The Committee is therefore concerned that Japan has abrogated its obligations with respect to U.S. vessels under the FCN treaty. The primary purpose of this legislation is to respond to discrimination against U.S. operators in the Japan-U.S. vehicle transportation market.

It is noteworthy that the four vehicle-carriage contracts won by U.S. operators were awarded only after introduction of H.R. 3655. It is unfortunate that legislative action is necessary to ensure adequate opportunities for U.S. carriers when an international agreement already exists that should do the same. Nevertheless, the Committee believes that only enactment of H.R. 3655 will ensure that U.S. operators receive adequate consideration in the Japan-U.S. vehicle transportation trade.

Another issue raised during consideration of H.R. 3655 was whether U.S. vessels can be competitive because of U.S. wage costs. Maritime Administration figures estimated that U.S. crew costs were two times greater than Japanese crew costs. These figures, however, were extrapolated from data regarding other shipping trades (involving subsidized operations), inasmuch as no U.S. carriers are operating in the Japan-U.S. vehicle market. During the hearing on H.R. 3655, the Seafarers International Union testified on the actual wage package negotiated with a U.S. operator recently awarded a contract to carry Japanese vehicle imports. The total package for both licensed and unlicensed crew, including pension and vacation benefits, is $1.5 million per year. This package compares very favorably with Japanese-flag wage costs. The monthly cost for a U.S. able-bodied seaman is $3,607; for a Japanese able-bodied seaman, the cost is $3,798. The Committee believes that the Maritime Administration figures do not reflect accruately the competitiveness of U.S. labor costs in this particular trade; the recently negotiated wage package is the more accurate measure.

The Committee is concerned that U.S.-flag costs remain competitive. For this reason, the Committee rejected an amendment during markup that would have required U.S. vehicle carriers to be constructed in the United States. Although the Committee is concerned with the decline in U.S. shipbuilding, H.R. 3655 is not the appropriate legislation for dealing with this problem. The additional costs of U.S. construction would unduly burden U.S. operators and destroy their ability to compete economically.

The Committee recognizes that U.S. operators will acquire newly constructed and existing car carriers from abroad. The Committee believes, however, that any additional imbalance in the U.S. trade deficit will be more than offset by the benefits of H.R. 3655 to the American economy. Because the car trade is now dominated by Japanese operators, U.S. dollars are being paid out and the benefits of revenue generation are being lost to Japan.

Opponents of H.R. 3655 argue that the trade imbalance will not be offset because new car carriers require lower manning levels. This argument misses the point. As with any U.S. export, exporting U.S. shipping services increases U.S. dollar revenues for the American economy. Several U.S. companies are interested in entering the

Japan-U.S. vehicle market. Assuring them equal access to this trade will generate U.S. dollar revenues for the American economy. Freight rates will be paid to these companies in U.S. dollars. U.S. taxes will then be paid on those revenues. Wages paid to American seamen in dollars will also be channelled back into the U.S. economy in the form of consumer consumption and taxes. In addition to shipboard labor, shoreside employment in the U.S. shipping companies and their suppliers will increase, further benefitting the economy.

During Full Committee markup, a Member questioned whether the U.S. carriage provisions of H.R. 3655 could be circumvented if Japanese imported vehicles were diverted to Canadian ports for transshipment to the United States. If that were possible, Pacific Northwest ports could lose vehicle import cargoes. The Committee intends that the bill's provisions cover all Japanese vehicles imported into the United States regardless of where they are first landed. The Committee does not believe that U.S. ports will lose imported vehicle traffic. Japanese vehicle manufacturers cannot circumvent the bill's requirements by diverting vehicle shipments to Canadian ports as those shipments must also comply with the legislation's provisions.

COMMITTEE ACTION

H.R. 3655 was introduced on October 30, 1985, by the Honorable Walter B. Jones of North Carolina, and was referred to the Committee on Merchant Marine and Fisheries. Within the Committee, the bill was referred to the Subcommittee on Merchant Marine.

The Subcommittee held a hearing on H.R. 3655 on March 20, 1986. Testimony was heard from the following witneses: representatives of the Department of State; the Department of Transportation; the Seafarers International Union of North America, and the Maritime Trades Department, AFL-CIO; Apex Marine Corporation; and the American International Automobile Dealers Association.

The Subcommittee received comments submitted for the record from the following: The Maritime Institute for Research and Industrial Development; the Shipbuilders Council of America; the National Marine Engineers' Beneficial Association; the American Honda Motor Co.; the Nissan Motor Company, Ltd.; the Toyota Motor Corporation; NYK Line; Mitsui O.S.K. Lines, Ltd.; and the Automobile Importers of America, Inc.

The Subcommittee on Merchant Marine met in a markup session to consider H.R. 3655 on April 23, 1986. The Subcommittee accepted an amendment by voice vote. The amendment changes the definition of a documented vessel to a "United States vehicle carrier" that is a documented U.S. vessel and that is primarily constructed to carry vehicles.

The amendment also deletes "motor" from the definition of a Japanese vehicle. This is to ensure that trailers and other non-self-propelled vehicles are included in the types of vehicles to be carried by U.S. vehicle carriers. The amendment limits the types of vehicles included, however, to those having four wheels. This ensures that motorcycles, which can be carried in containers, are not required to be carried in pure car carriers.

The amendment also provides the Secretary of Transportation with the authority to reduce temporarily the percentage carried by U.S. vehicle carriers if the following two conditions exist: (1) no government or commercial restrictive trade practices are denying U.S. vessels access to the trade; and (2) U.S. vehicle carriers are unable to carry the required amount.

The Full Committee met in a markup session on May 15, 1986 to consider H.R. 3655. The Committee rejected an amendment that would have required that U.S. vehicle carriers be constructed in the United States. The amendment was defeated by a roll call vote (6 yeas, 24 nays, and 1 pass). The Committee then ordered H.R. 3655 reported to the House by voice vote.

SECTION-BY-SECTION

Section 1

Section 1 is the short title for this legislation: "The Equitable Automobile Transportation Act of 1986".

Section 2

Section 2 is the definition section. "Japanese vehicle" is a vehicle with at least four wheels that has been manufactured or substantially assembled in Japan. "Japanese vessel" is defined as a vessel documented under the laws of Japan or a vessel that is under contract to carry Japanese vehicles on which at least four of the vessel's complement are Japanese citizens. A "U.S. vehicle carrier" is defined as a vessel documented under the laws of the United States and constructed primarily to carry vehicles.

Section 3

Section 3(a) requires a person exporting Japanese vehicles to the United States to transport an equal number of vehicles on U.S. vehicle carriers as are transported on Japanese vessels. This provision allows for an unlimited amount of cross-trading. If no cars are shipped on Japanese or American vessels, 100 percent could be transported by third-flag vessels.

Section 3(b) requires a person exporting Japanese vehicles to file an annual certification with the Department of the Treasury that he complied with the requirements of subsection (a) during the previous year.

Section 3(c) authorizes the Secretary of the Treasury, in consultation with the Secretary of Transportation, to promulgate regulations to carry out this Act.

Section 3(d) gives the Secretary of Transportation the authority to reduce for a temporary period the percentage of vehicles carried by U.S. vehicle carriers if two conditions exist: (1) there must be no governmental restriction or commercial trade practice restriction operating in the trade that denies access to U.S. vehicle carriers; and (2) U.S. vehicle carriers must be unable to carry the required amount.

Section 4

Section (4) provides penalties for violating the Act. Subsection (a) provides a $5,000 civil penalty. Subsection (b) permits the Secretary

of the Treasury to prohibit a violating exporter from exporting vehicles to the United States on non-U.S.-flag vessels until an equal number have been shipped on U.S. vessels as were shipped on Japanese vessels.

COST OF THE LEGISLATION

Pursuant to clause 7 of rule XIII of the Rules of the House of Representatives, the Committee estimates that there will be only de minimus costs incurred by the Government as a result of enactment of the legislation.

INFLATIONARY IMPACT STATEMENT

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee on Merchant Marine and Fisheries has assessed the potential for inflationary impact and has concluded that enactment of H.R. 3655 will not have an inflationary impact on prices and costs in the operation of the national economy.

COMPLIANCE WITH CLAUSE 2(l)(3) OF RULE XI

With respect to the requirements of clause 2(l)(3) of rule XI of the Rules of the House of Representatives:

(A) No oversight hearings were held on the subject of this legislation.

(B) The requirements of section 308(a) of the Congressional Budget Act of 1974 are not applicable to this legislation since it does not provide new budget authority or new or increased tax expenditures.

(C) The Committee has received no report from the Committee on Government Operations of oversight findings and recommendations arrived at, pursuant to clause 4(c)(2) of rule X of the Rules of the House of Representatives.

(D) The Director of the Congressional Budget Office has furnished the Committee with an estimate and comparison of costs for H.R. 3655 pursuant to section 403 of the Congressional Budget Act of 1974. The submission is as follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 5, 1986.

Hon. WALTER B. JONES,
Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Longworth House Office Building, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 3655, the Equitable Automobile Transporation Act of 1986, as ordered reported by the House Committee on Merchant Marine and Fisheries, May 15, 1986. CBO estimates that the enactment of this bill would have no significant impact on the federal budget.

H.R. 3655 would require the Department of the Treasury to promulgate and enforce regulations mandating that all exporters of

Japanese automobile to the United States ship as many vehicles by U.S. vessels as they ship by Japanese vessels. Implementation costs are not expected to be significant.

CBO estimtes that enactment of this bill would have no direct impact on the budgets of state or local governments.

If you further details on this estimate, we will be pleased to provide them.

With best wishes,

Sincerely,

RUDOLPH G. PENNER, *Director.*

CHANGES IN EXISTING LAW

If enacted, the bill would make no changes in existing law.

DEPARTMENTAL REPORTS

H.R. 3655 was the subject of a report from the Departments of Transporation, the Treasury, and the Navy. The report follow herewith:

U.S. DEPARTMENT OF TRANSPORTATION,
Washington, DC, March 18, 1986.

Hon. WALTER B. JONES,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Department of Transportation with respect to H.R. 3655, a bill "To counter restrictive practices in the marine transportation of automobiles, and for other purposes."

At the present time, the vast preponderance of Japanese motor vehicles imported into the United States is transported by Japanese registered or controlled vessels. H.R. 3655 would required that an equal number of these Japanese motor vehicles be transported on U.S.-flag vessels and Japanese-flag vessels as defined in the bill. There would appear to be no restrictions on the ocean transportation of such vehicles by third-flag vessels. The Secretary of the Treasury, in consultation with the Secretary of Transportation, would be required to prescribe regulations necessary for the enforcement of the proposed legislation.

The Administration's longstanding policy has been to oppose any expansion or contraction of the cargo preference laws as interpreted prior to the Federal district court decision in *Transportation Institute* v. *Dole.* H.R. 3655 would be an expansion of cargo perference. It not only would increase the amount of cargo reserved for U.S.-flag carriers, it also would, for the first time, extend cargo perference requirements beyond government-impelled cargoes to purely commercial cargoes. Therefore DOT is opposed to H.R. 3655. We understand that at least one Japanese car manufacturer has announced that it will transport vehicles on U.S.-flag vessels.

The Office of Management and Budget adverses that, from the standpoint of the Administration's program, there is no objection

to the submission of this report for the consideration of the Committee.

Sincerely,

JIM J. MARQUEZ,
General Counsel.

DEPARTMENT OF THE TREASURY,
Washington, DC, April 25, 1986.

Hon. WALTER B. JONES,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: This responds to your request for the views of the Department of the Treasury on H.R. 3655, the "Equitable Automobile Transportation Act of 1985," which is scheduled for markup by your Committee.

This bill would establish a cargo sharing agreement with respect to Japan's motor vehicle exports to the United States. It would require persons exporting motor vehicles from Japan to the United States on Japanese vessels to transport an equal number of vehicles on U.S.-flag vessels.

The Administration's longstanding policy has been to oppose any expansion or contraction of the cargo preference laws as interpreted prior to the Federal District Court decision in *Transportation Institute, et al.*, v. *Elizabeth Dole, Secretary of Transportation, et al.*, 603 F. Supp. 888 (D. D.C. 1985). H.R. 3655 would expand cargo preference to not only increase the amount of cargo reserved for U.S.-flag carriers, but would also, for the first time, extend cargo preference requirements beyond government-impelled cargoes to purely commercial cargoes.

The Administration is involved in negotiations and discussions with two international organizations and a number of separate countries to reduce cargo sharing and cargo allocation. If enacted, this bill would undercut the Administration's position in those negotiations. In addition, the Administration has been discussing the ocean transport of motor vehicles with Japan to obtain right of access for U.S. carriers. These negotiations have made progress and a U.S. firm has been discussing a long term transport contract with a Japanese automobile manufacturer.

The bill also contains a potential, albeit unlikely, problem for U.S.-flag carriers. Should a Japanese exporter wish to transport more than 50 percent of its Japanese motor vehicles to the United States on a U.S.-flag carrier, the bill would prohibit such transport.

In view of the foregoing, the Department of the Treasury is strongly opposed to the enactment of H.R. 3655.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the submission of this report to your Committee.

Sincerely,

ROBERT M. KIMMITT,
General Counsel.

DEPARTMENT OF THE NAVY,
OFFICE OF LEGISLATIVE AFFAIRS,
Washington, DC, April 22, 1986.

Hon. WALTER B. JONES,
Chairman, Committee on Merchant Marine and Fisheries,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: Your request for comment on H.R. 3655, 99th Congress, a bill "To counter restrictive practices in the marine transportation of automobiles, and for other purposes," has been assigned to this Department by the Secretary of Defense for the preparation of a report expressing the views of the Department of Defense.

We note that the Merchant Marine Subcommittee is scheduled to mark up H.R. 3655 on April 23, 1986.

The Department of the Navy, on behalf of the Department of Defense, wishes to take this opportunity to reiterate the Administration's strong opposition to H.R. 3655. As the Department of Transportation noted in its March 18 report on H.R. 3655, the Administration's longstanding policy has been to oppose any expansion or contraction of the cargo preference laws as interpreted prior to the Federal District Court decision on *Transportation Institution, et al.*, v. *Elizabeth Dole, Secretary of Transportation, et al.* (603 F. Supp. 888 (1985)). H.R. 3655 would be an expansion of cargo preference. It would not only increase the amount of cargo reserved for U.S.-flag carriers, but would also, for the first time, extend cargo preference requirements beyond government-impelled cargoes to purely commercial cargoes.

This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense. The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the presentation of this report on H.R. 3655 for the consideration of the Committee.

For the Secretary of the Navy.
Sincerely,

WILLIAM D. COHEN,
Captain, JAGC, U.S. Navy,
Director, Legislation.

DISSENTING VIEWS TO H.R. 3655—EQUITABLE AUTOMOBILE TRANSPORTATION ACT OF 1986

We have a number of reservations concerning the passage of this bill. We have cited the most significant of these below.

First, this bill will not improve the United States' trade position nor create a significant number of new U.S. jobs. For U.S. shipping companies to become involved in the auto carriage trade today they must acquire the specialized pure car carrier (PCC) vessels necessary to do so. There are currently no U.S.-flag PCCs. Unfortunately, due to economic reality, U.S. shipping companies will have to construct their new PCCs in foreign ship yards or purchase existing PCCs from foreign companies. The cost for the construction of a new PCC in Japan or South Korea is estimated to be around $20 million; to construct that same PCC in the U.S., without subsidy, would cost over $100 million. This dollar amount for the acquisition of PCCs to be placed under U.S.-flag will be added to the current U.S. trade deficit, thereby exacerbating the trade deficit rather than reducing it. At a time when we are looking for ways to reduce our trade imbalance we can ill afford to do anything that will add to it.

Additionally, despite the claims made by the proponents that this is a jobs bill, this legislation would only have a very limited impact on the creation of new U.S. jobs. Although it is true that U.S. shipping companies would have to employ U.S. citizens to crew their PCCs, few new jobs would be created because only around 20 crew members are required to operate the modern PCCs. In light of the fact that there are no more than 80 PCCs in the Japan-to-U.S. auto carriage trade, even if the U.S. companies were given a large portion of the trade, the total number of new jobs created would be very small. No new jobs would be created for ship building because, as stated, all new vessels will have to be built overseas. Also, because beyond the actual ocean transportation of vehicles, shipping companies perform few other functions, very few, if any, other new jobs would be created. Shipping companies as a matter of course play no role in servicing cars, arranging land transportation, or other related matters. All of the unloading of vehicles at U.S. ports is performed by U.S. workers regardless of the nationality of the vessel.

Second, this bill would increase the costs to American consumers for the purchase of new automobiles. Since there are presently no U.S.-flag PCCs available to carry on increased share of Japanese automobiles to the United States, the trade in new Japanese cars may be substantially interrupted if this bill is enacted. This could very well exacerbate the scarcity situation already caused by the Japanese Voluntary Restraint Agreement (VRA) and raise all new car prices, both Japanese and domestic. Historically, as imports of Japanese autos have been limited by the VRA, transaction prices

of Japanese automobiles have risen because of the resulting shortages. Over the years the domestic auto prices have followed the rise in the Japanese automobile prices quite closely. During the last three years of the VRA, consumers paid $15.7 billion more for their new cars according to ITC estimates. It would be most unfair for the American consumer to have to bear the burden of increased auto prices, both foreign and domestic, because of unwarranted governmental interference in the marketplace.

Third, according to the International Trade Commission (ITC) and the Office of the United States Trade Representative, the selection of shipping companies for the ocean carriage of automobiles from Japan to the United States is not restricted by the Japanese Government or Japanese automobile manufacturers.

Fourth, because no unfair trade practices exist in the Japan-to-U.S. auto carriage trade, this bill will make it more difficult for us to aggressively negotiate with Japan and other foreign governments in areas where alleged protectionist and unfair trade practices have been identified. In fact it may well result in retaliation by foreign governments.

Fifth, the United States Government has consistently been a leading opponent of efforts in the world to establish a commerical cargo preference system allocating portions of the world's oceanborne trade to the exporting and importing countries. Most recently in fact, Secretary of Transportation Elizabeth Dole reaffirmed this opposition when she announced on May 5, 1986 that the United States and twelve European Nations and Japan (this collective 13 Member group is referred to as the "Consultative Shipping Group") agreed to resist protectionist measures that restrict shipping competition. For us to now require that a share of Japanese auto ocean carriage be reserved for U.S.-flag carriers would be totally inconsistent with this longstanding and recently affirmed U.S. policy. Also, to enact such legislation would hinder current efforts by the U.S. Government to gain foreign government approval for a new General Agreement on Tariffs and Trade round on trade in services, intellectual property rights, agriculture and the procurement code, areas which are critical to the continued growth of our economy.

And finally, the passage of this bill might very well artificially divert trade in new Japanese automobiles from U.S. ports. Currently, over 2.3 million Japanese cars are imported into this country through U.S. ports. The economic consequences to these ports of disrupting this natural flow of trade would outweigh any potential benefits this bill has to offer.

In conclusion, we feel that this bill's enactment would have several wide reaching negative consequences that far outweigh the few potential benefits.

NORMAN D. SHUMWAY.
JOHN MILLER.
THOMAS F. HARTNETT.

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